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CONFIDENTIAL FED. R. EVID. 408 SETTLEMENT COMMUNICATION SUBJECT TO CONFIDENTIALITY AGREEMENT

Via Email and U.S. Mail

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Re: Gilt Edge Mine Site, CoCa Mines, Inc.

Dear Heidi and Andrea:

In advance of our next meeting with EPA, DOJ and the State regarding the Gilt Edge Site ("Site"), this letter addresses several factual issues discussed in our meeting on April 19, 2013. A common understanding of these facts is important since they have informed the United States' position with respect to the response cost allocation it has assigned to CoCa Mines, Inc. ("CoCa"). As detailed below, the United States has miscalculated the number of years during

which CoCa or any predecessor was involved with the Site, and incorrectly allocated liability for years after CoCa divested itself of its interests at the Site.[1]

I. The United States' Allegations

In its April 2013 presentation, the United States claimed that CoCa's allocable share of response costs for the Site is $30 million. This allocation is based primarily on two factors: (1) the number of "years of operation at the site;" and (2) the volume of pathways created by drilling. This letter addresses the United States' "years of operation" calculation. We will address the significance of drill holes as pathways for contaminant migration at our upcoming meeting.

The United States claims that CoCa's "years of operation" at the Site extend from 1964 to April of 1986. The activities conducted at the Site which the United States alleges give rise to CoCa's liability as an operator prior to 1974 are limited to meetings with Commonwealth Mining Company ("Commonwealth") representatives in 1964, geologic mapping of the Site undertaken by a Colorado School of Mines graduate student, Nilendu Mukherjee the same year, Tom Congdon's leasing of properties from Commonwealth and Northwestern Mining Company in 1967, and Mr. Congdon's drilling of 11 exploratory borings in 1968 and 1969.

II. CoCa Has No Interest or Involvement at the Site Prior to 1974

The United States' allocation is based on several factual errors. Most significantly, CoCa did not acquire any interest or conduct any activity at the Site prior to October 1974. The United States' allocation incorrectly treats Congdon & Carey Ltd. No. 3 ("C&C 3"), Congdon & Carey Ltd. No. 5 ("C&C 5") and CoCa collectively as a single entity. In addition, the United States has allocated responsibility to CoCa for certain activities conducted by Tom Congdon and others in their individual capacities in the mid and late 1960's, including the 11 borings drilled in 1968 and 1969.[2]

CoCa has no connection at all with the Site predating C&C 5's activities. C&C 5 was organized on July 1, 1974, as a limited partnership under Colorado law. C&C 5 first acquired an interest in certain mining claims at the site on October 16, 1974, and entered into a joint venture agreement with Cyprus Mines Corporation ("Cyprus") on January 1, 1975, though exploration drilling was not initiated until May of that year. CoCa succeeded to certain interests and liabilities of C&C 5 on December 31, 1982, when CoCa Mines, Inc., a Delaware corporation, St. Mary Parish Land Company, a Delaware Corporation, and C&C 5 entered into an Agreement and Plan of Reorganization, under which the current entity, CoCa Mines Inc. (Colorado), was formed.

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[1] CoCa, Hecla Mining Company and Hecla Limited deny that that they have any liability for environmental conditions at the Site, or for the response costs EPA has incurred in connection with its activities there.

[2] Moreover, the activities the United States refers to between 1964 and 1968 (e.g., mapping and meetings between property owners and others) do not give rise to CERCLA liability.

However, no similar agreements existed between either C&C 5 or CoCa and any other entities, and neither CoCa nor C&C 5 otherwise succeeded to the liabilities of any other entities or individuals, including C&C 3 or Tom Congdon. As Tom Congdon explained in his response to EPA's 104(e) request, C&C 3 was terminated in 1971, several years before C&C 5 was actually formed. In sum, while CoCa may be the successor to C&C 5, C&C 5 had no involvement at Gilt Edge prior to July 1, 1974.

III. CoCa Has No Exposure Beyond 1986

Finally, the United States has suggested that CoCa bears some liability (arbitrarily valued at $5 million) because it retained an unspecified ownership interest in the Site beyond 1986.[3] However, we do not believe that CoCa held any interests at the Site beyond 1986. On June 1, 1983, CoCa and Cyprus entered into a Mining Agreement ("Mining Agreement") with Lacana Mining, Inc. ("Lacana"). Pursuant to the Mining Agreement, CoCa and Cyprus agreed to transfer to Lacana their interests in the key claims at the Site, which they had leased from Commonwealth and Northwestern Metal Company. As you know, these claims constitute the majority of the mined area. Under the Mining Agreement, Cyprus and CoCa also agreed to transfer their rights in a number of patented and unpatented claims they owned at the Site, including the Koessel Group of Claims, the Erik and Jen Claims, as well as others (*see* Exhibit A, from the 1983 Mining Agreement, attached). Lacana was granted the "exclusive right," "without limitation and in its sole discretion" to conduct exploration and mining on all of the claims subject to the Mining Agreement. All of Lacana's right, title and interest in these claims, and to the Mining Agreement, were subsequently assigned to Gilt Edge, Inc. ("Gilt Edge") on January 11, 1985.

On June 27, 1986, Cyprus and CoCa entered into an Acquisition Agreement (the "Acquisition Agreement") with Gilt Edge, under which Cyprus and CoCa agreed to sell, grant and convey all of their right, title and interest in the Mining Agreement and the claims that were subject to the Mining Agreement. While CoCa may have later executed quitclaim deeds in favor of Gilt Edge's successor, Brohm Mining Company, CoCa believes these deeds related to properties already owned by Gilt Edge, and were provided only to confirm title. Furthermore, CoCa never conducted operations at the Site, and its joint venture partner, Cyprus, had ceased any operations at the Site by 1986. Thus, there was no drilling and there were no disposals of hazardous substances created after 1986, excluding the millions of tons of ore and rock excavated by Brohm in the course of its open-pit operations.

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[3] The United States also bases post-1986 liability on the fact that certain leases may have contained indemnities flowing from CoCa to the lessors. However, leaving aside the scope of any indemnity and its relevance to the substance of the United States' allegations, the United States was simply not the beneficiary of those agreements, and any parties indemnified failed to make a timely demand on CoCa.

IV. Summary

CoCa has no exposure for Site activities preceding October 1, 1974, and the United States' calculation of CoCa's alleged "years of operation" at the Site should not extend prior to this date. Similarly, CoCa divested itself of its interests at the Site in 1986, and should not be allocated any liability beyond then.

While we look forward to reaching a fair settlement with the United States, to the extent our discussions involve a "years of operation" metric or liability based on any other factors, the correct timeframe relative CoCa's exposure at the Site is October 1, 1974 through June 27, 1986.

Sincerely,

Joseph G. Middleton

JGM/gg
Enclosure